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More Duopoly Relief Needed in Small to Mid-Sized TV Markets

Permitted Ex Parte Presentation
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Key Points

*** FCC Explores Duopoly Rules in TV. In the expected June 2, 2003 rulemaking on media ownership, we believe the Federal Communications Commission will loosen duopoly rules and may even consider triopolies in some markets.

*** Duopoly - Keeping Certain Aspect, Ditching Others. We believe that the FCC is planning to retain the restriction that prevents any of the top four rated TV stations in a market from combining while ditching the "8-voice test", which requires that there be eight different owners of TV stations (commercial and non-commercial) in a market after a proposed duopoly is completed.

*** Little Relief for Mid-to-Small Market TV Players. Duopoly is most badly needed in mid-to-small TV markets where economics are poorer. Under current FCC plans, there would be no duopoly relief in 44 of the TV markets ranked 51-150. In 34 markets, only one duopoly option would be available. This stance also ignores local cable systems' increased competitiveness for TV ad dollars.

*** Solutions Offered. Yesterday, the NAB adopted a proposal permitting a) a broadcaster to own 2 of the top 4 rated stations and b) own up to 3 stations in a market as long as c) cumulative audience share does not exceed 30% (owners of cable networks would have to include cable viewing shares as well). At a minimum, we believe the FCC should reduce the 4-station prohibition to a 3-station prohibition.

*** Need Some Balance. Allowing more relaxation of duopoly rules in mid-to-small markets will permit local TV operators to react to the prospects of the a) combination of a cable system and a local TV station, b) the combination of a newspaper and a local TV station and c) the further relaxation of the ownership cap, which could increase the power of the networks relative to their affiliates.

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Please read the important disclosure information on the last page of this report.

The FCC Revisits the Duopoly Rules. On June 2, 2003, we expect the FCC will issue its much-anticipated rulemaking on media ownership. One important aspect of these rule changes will address duopoly, which permits a television broadcaster to own two television stations in the same market.

Duopoly – Keeping Certain Aspects, Ditching Others. Currently, the duopoly rule allows a TV broadcaster to own a second TV station in a given designated marketing area (DMA) as long as the broadcaster does not own two of the four highest rated TV stations in a given market and as long as eight "voices" exist in the market after the duopoly is completed. Both commercial and non-commercial stations count in this voice test.

We think that the FCC is prepared to make a change to this rule while retaining its core. We believe that the Federal Communications Commission currently is expected to retain the prohibition of the combination of any of the top four rated television stations in a given TV market.

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